



# AIB Ireland Manufacturing PMI®

## Sharper contraction in output as new orders fall further in August

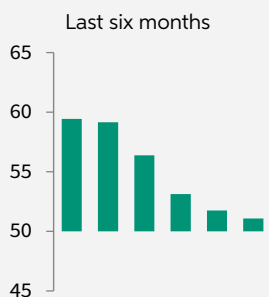
### Key Findings

Steepest drop in production since February 2021

Third successive monthly decline in new orders

Input price inflation eases to 12-month low but remains historically elevated

### Ireland Manufacturing PMI



The latest PMI® survey data from AIB highlighted further declines in output and new orders across the Irish manufacturing sector, while employment and stocks continued to expand. The fall in production quickened, leading to a steeper drop in backlogs. Cost pressures remained high but slowed since July, reflected in a softer rate of output price inflation. Latest data also revealed a further easing of pressure on supply chains, though lead times continued to lengthen markedly.

Commenting on the survey results, Oliver Mangan, AIB Chief Economist, said:

*"The AIB Irish Manufacturing PMI survey for August shows a further loss of momentum in the sector as demand falters in the face of rising inflation. The PMI declined to 51.1 from 51.8 in July, the fifth consecutive monthly fall. While the index remained in expansion territory, it was the lowest reading since October 2020. Much weaker readings, though, have been seen in the rest of Europe for August, with the flash Manufacturing PMI moving down to 49.7 in the Eurozone and falling sharply to 46.0 in the UK.*

*finished goods rise at the fastest pace in over three years.*

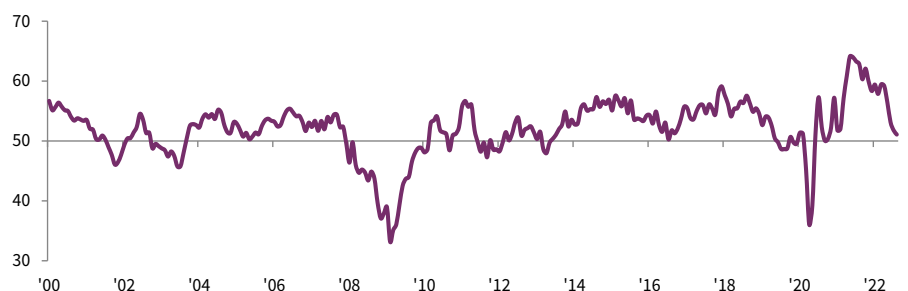
*"The overall headline PMI was supported by a further increase in employment, albeit at the slowest pace since January 2021, as well as a strong rise in stocks of input purchases. There was also a further lengthening of supplier delivery times, amid reports of ongoing shortages of materials and shipping delays. In terms of the 12-month outlook, while sentiment remained positive, it fell to its weakest level since October 2020.*

*"The impact of weakening demand on Irish manufacturing activity is clearly evident in the third consecutive monthly contractions in both output and new orders. The drop in new orders resulted in a further easing in capacity pressures, with backlogs of unfinished work declining for a fourth month running. Weakening demand also saw stocks of*

*"Meantime, while inflationary pressures remain strong, there are signs that they are beginning to slacken. Input costs continued to rise sharply, but at the slowest pace in a year. This helped output price inflation ease to a seven-month low, though it still remains elevated."*

Manufacturing PMI

sa, >50 = improvement since previous month



## Overview

The headline AIB Ireland Manufacturing PMI® is a composite single-figure indicator of manufacturing performance. It is derived from indicators for new orders, output, employment, suppliers' delivery times and stocks of purchases. Any figure greater than 50.0 indicates overall improvement of the sector.

The PMI registered 51.1 in August, down from July's 51.8, indicating a further overall improvement in operating conditions in the sector. The rate of growth was the weakest since October 2020 and only modest, with the PMI falling further below its long-run average of 52.3. The headline figure slipped for the fifth straight month in August – the longest sequence of month-on-month declines since mid-2019.

August 2022 continued a notable turnaround in the sector's performance compared with one year earlier. In August 2021 the PMI had registered a fifth straight reading above 60.0, supported by rapid gains in output, new orders, jobs and input stocks, although lengthy supplier delays were also a contributing factor.

Although the PMI remained in overall growth territory in August, this masked further declines in both new orders and output, the two largest components by weight (together these account for 55% of the PMI calculation). New orders fell for the third month running, albeit at a slightly weaker rate than in July. Survey respondents linked weaker demand to a reluctance among customers to spend amid rising inflationary pressures and economic uncertainty. New export orders fell more quickly than in July, but at a rate just short of June's two-year record.

The continued downturn in new business

resulted in a third successive monthly drop in output. Moreover, the rate of decline in August was the fastest since February 2021. This partly reflected efforts to clear backlogs, which fell for the fourth month running and at the fastest rate since January 2021, and also to limit growth in unsold stock. Inventories of finished goods rose for the second month running and at one of the strongest rates on record in August. The 12-month outlook for production remained positive, but expectations eased to a 22-month low reflecting firms' concerns around inflation and recession risks.

Manufacturers continued to expand workforces in August, despite the downturn in demand. Recruitment was linked to the US market and efforts to boost capacity. That said, the rate of job creation was the weakest since January 2021.

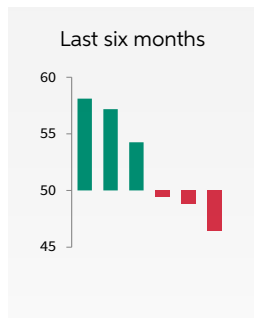
Pressure on manufacturing supply chains remained strong in August, but there was further evidence of relative improvement. Suppliers' delivery times rose markedly overall, but to the smallest degree since November 2020. This partly reflected weaker demand for inputs, as the volume of purchasing activity was unchanged in August following the first decline for 17 months in July. Delayed inputs continued to arrive at Irish manufacturers, with stocks of purchases across the sector rising at one of the fastest rates on record.

Inflationary pressures remained high in August, though the reduced pressure on supply chains contributed to the slowest rate of input price inflation for a year. This fed through to the softest rise in output prices since January, albeit one that remained elevated by historical standards.



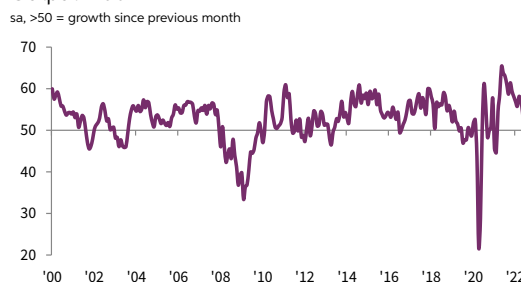


## Output Index

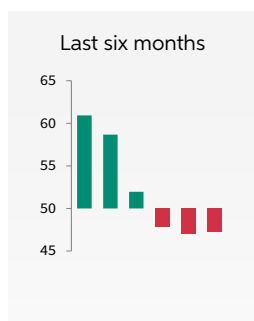


Irish manufacturing production declined for the third consecutive month in August, even after accounting for seasonal factors. Moreover, the rate of contraction accelerated further and was the fastest since February 2021. Firms attributed lower output to a drop-off in demand that was partly linked to high inflation deterring new customers. The current period of decline is the joint-longest recorded by the survey since the lengthy downturn that ran from March 2008 to October 2009.

### Output Index



## New Orders Index

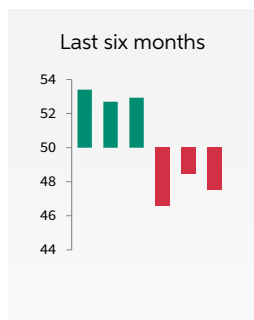


New orders received by Irish goods producers fell for the third month running in August. Weaker demand reflected a reluctance among customers to spend amid rising inflationary pressures. The rate of contraction was broadly similar to the trend shown for June and July. The downturn registered since the summer is in marked contrast to the rapid growth rates seen one year ago.

### New Orders Index

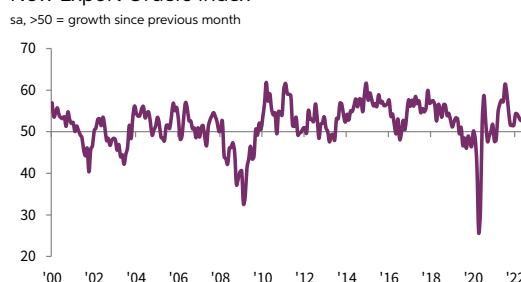


## New Export Orders Index

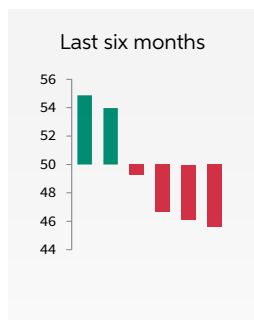


New orders from overseas markets continued to weaken in August. The seasonally adjusted New Export Orders Index remained below 50.0 for the third month running and declined from July, signalling a faster rate of decline, albeit one that remained weaker than June's two-year record. Anecdotal evidence from survey respondents linked falling exports to a weakening European economy, slow recoveries in Asia from COVID lockdowns and Brexit.

### New Export Orders Index

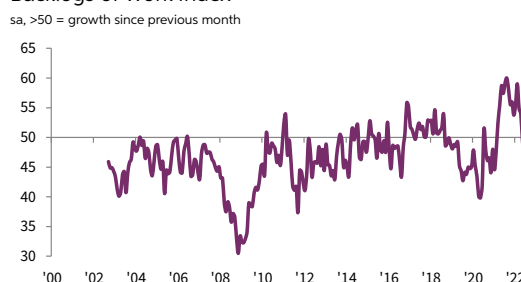


## Backlogs of Work Index

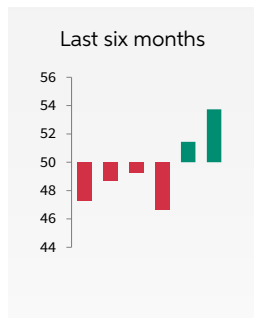


Goods producers in Ireland reported a fourth consecutive monthly decline in the volume of incomplete work in August. Moreover, the rate of backlog depletion continued to accelerate, reaching the fastest since January 2021. Firms mainly linked lower incomplete orders to the recent drop-off in demand, although in some cases capacity reportedly remained constrained by COVID-related staff shortages.

### Backlogs of Work Index

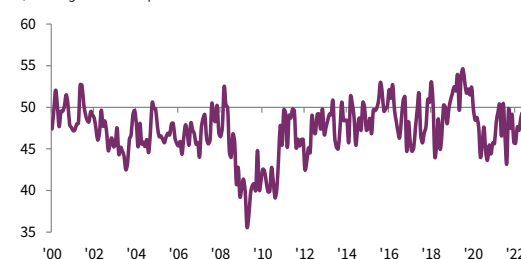


## Stocks of Finished Goods Index

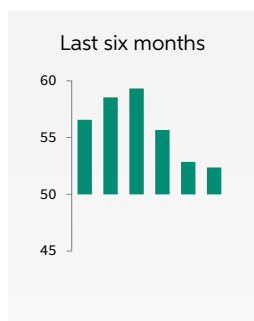


August data signalled a back-to-back increase in firms' holdings of final products, as the seasonally adjusted Stocks of Finished Goods Index remained above 50.0. Moreover, the rate of growth accelerated to the fastest since July 2019, and was the fourth-highest on record. Firms linked rising inventory levels to efforts to rebuild stocks and to maintain production despite lower demand.

Stocks of Finished Goods Index  
sa, >50 = growth since previous month

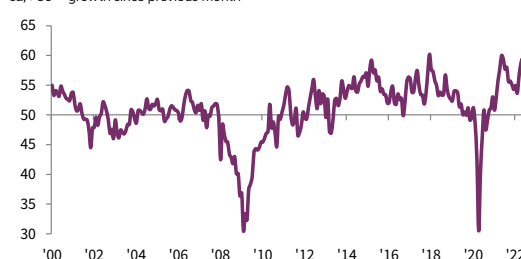


## Employment Index

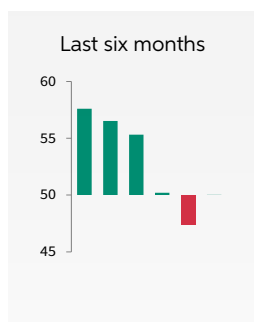


Employment in the Irish manufacturing sector continued to increase in August, extending the current sequence of job creation to 23 months. Firms continued to expand capacity, with some linking recruitment to the US market. That said, the overall rate of workforce growth slowed for the third straight month to the weakest since January 2021.

Employment Index  
sa, >50 = growth since previous month

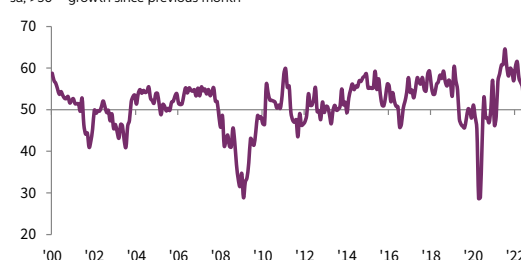


## Quantity of Purchases Index

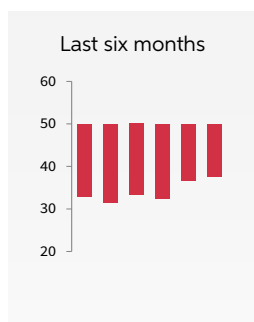


The volume of inputs purchased by Irish manufacturers was unchanged in August from one month previously, following the first contraction in 17 months in July. Whereas some firms mentioned higher purchasing as part of efforts to secure long-term stock, others linked lower input volumes to a decline in current demand.

Quantity of Purchases Index  
sa, >50 = growth since previous month



## Suppliers' Delivery Times Index

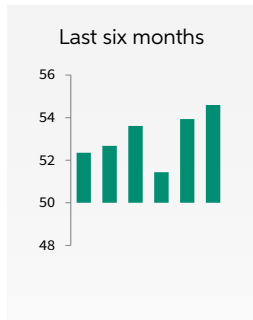


Pressure on supply chains remained historically strong in August. Average lead times lengthened for the thirty-fourth successive month, and markedly overall. Firms continued to report shortages of raw materials and components, and shipping delays linked to COVID and customs checks. That said, the overall incidence of delays in August was the lowest since November 2020.

Suppliers' Delivery Times Index  
sa, >50 = faster times since previous month



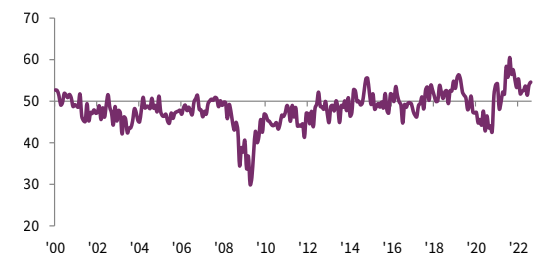
## Stocks of Purchases Index



Manufacturers' holdings of inputs rose further in August, extending the current survey-record sequence of growth to 17 months. Moreover, the rate of expansion was the strongest since January, and among the fastest over the survey history. Firms linked stockbuilding to the late arrival of previous orders, bulk buying to keep prices low and advance orders to adapt to ever-lengthening supply chains.

Stocks of Purchases Index

sa, >50 = growth since previous month



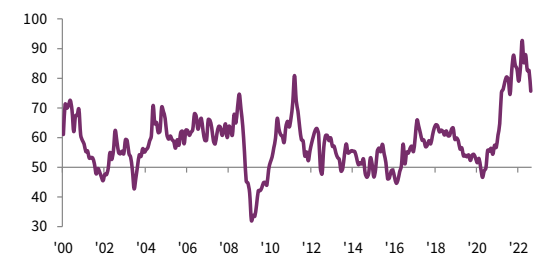
## Input Prices Index



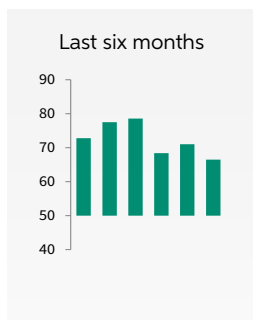
Manufacturing input costs in Ireland continued to rise sharply in August. The seasonally adjusted Input Prices Index remained at a historically elevated level, despite easing to a 12-month low. The proportion of firms reporting higher input prices dropped from July's 65% to 49%, but was still around ten times the share reporting declines. Raw materials, energy and transport were all reported as up in price during the month.

Input Prices Index

sa, >50 = inflation since previous month



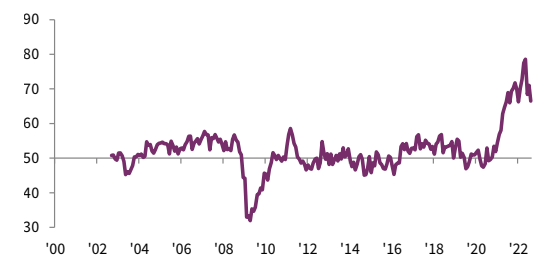
## Output Prices Index



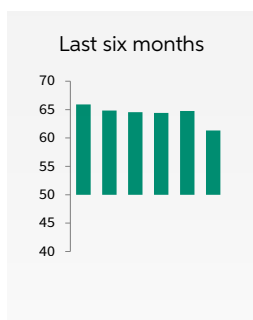
Irish manufacturers raised their prices for the twenty-third month running in August. The rate of output price inflation eased to a seven-month low, but remained among the highest registered in the 20-year series history. Companies mainly linked rising charges to the pass-through of higher input costs.

Output Prices Index

sa, >50 = inflation since previous month



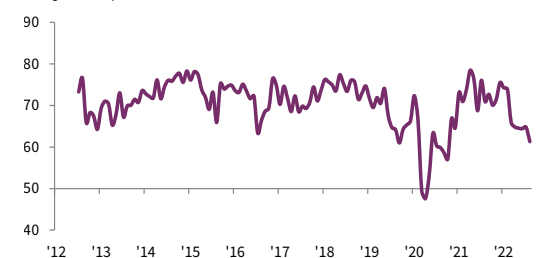
## Future Output Index



Manufacturers remained confident of higher output over the next 12 months, on balance, in August. Positive expectations were linked to projects in the pipeline, improving supply chains and increased exports. That said, the overall degree of confidence was the weakest since October 2020, linked to recession and inflation risks. The Future Output Index remained well below its long-run trend level since 2012 (70.4).

Future Output Index

>50 = growth expected over next 12 months





## Contact

### AIB

Oliver Mangan  
AIB Chief Economist  
T: +353-1-6417176  
E: [AIBeconomics.Unit@aib.ie](mailto:AIBeconomics.Unit@aib.ie)  
W: [www.aibeconomics.com](http://www.aibeconomics.com)

Paddy McDonnell  
AIB Press Office  
T: +353-1-641-2869  
M: +353-87-739-0743  
E: [paddy.x.mcdonnell@aib.ie](mailto:paddy.x.mcdonnell@aib.ie)

Graham Union  
AIB Press Office  
T: +353-1-6412430  
M: +353-85-2088343  
E: [Graham.X.Union@aib.ie](mailto:Graham.X.Union@aib.ie)

### S&P Global

Trevor Balchin  
Economics Director  
S&P Global Market Intelligence  
T: +44-1491-461-065  
E: [trevor.balchin@spglobal.com](mailto:trevor.balchin@spglobal.com)

Sabrina Mayeen  
Corporate Communications  
S&P Global Market Intelligence  
T: +44 (0) 7967 447030  
E: [sabrina.mayeen@spglobal.com](mailto:sabrina.mayeen@spglobal.com)

## Methodology

The AIB Ireland Manufacturing PMI® is compiled by S&P Global from responses to questionnaires sent to purchasing managers in a panel of around 250 manufacturers. The panel is stratified by detailed sector and company workforce size, based on contributions to GDP.

Survey responses are collected in the second half of each month and indicate the direction of change compared to the previous month. A diffusion index is calculated for each survey variable. The index is the sum of the percentage of 'higher' responses and half the percentage of 'unchanged' responses. The indices vary between 0 and 100, with a reading above 50 indicating an overall increase compared to the previous month, and below 50 an overall decrease. The indices are then seasonally adjusted.

The headline figure is the Purchasing Managers' Index® (PMI). The PMI is a weighted average of the following five indices: New Orders (30%), Output (25%), Employment (20%), Suppliers' Delivery Times (15%) and Stocks of Purchases (10%). For the PMI calculation the Suppliers' Delivery Times Index is inverted so that it moves in a comparable direction to the other indices.

Underlying survey data are not revised after publication, but seasonal adjustment factors may be revised from time to time as appropriate which will affect the seasonally adjusted data series.

Data were collected 12-23 August 2022.

For further information on the PMI survey methodology, please contact [economics@ihsmarkit.com](mailto:economics@ihsmarkit.com).

## About AIB

AIB is a financial services group operating predominantly in the Republic of Ireland and the UK. We provide a comprehensive range of services to personal, business and corporate customers in our target markets and have leading market shares in banking products in the Republic of Ireland.

## About S&P Global

S&P Global (NYSE: SPGI) S&P Global provides essential intelligence. We enable governments, businesses and individuals with the right data, expertise and connected technology so that they can make decisions with conviction. From helping our customers assess new investments to guiding them through ESG and energy transition across supply chains, we unlock new opportunities, solve challenges and accelerate progress for the world.

We are widely sought after by many of the world's leading organizations to provide credit ratings, benchmarks, analytics and workflow solutions in the global capital, commodity and automotive markets. With every one of our offerings, we help the world's leading organizations plan for tomorrow, today.

## About PMI

Purchasing Managers' Index® (PMI®) surveys are now available for over 40 countries and also for key regions including the eurozone. They are the most closely watched business surveys in the world, favoured by central banks, financial markets and business decision makers for their ability to provide up-to-date, accurate and often unique monthly indicators of economic trends.

## Disclaimer

This publication is issued by Allied Irish Banks, p.l.c. ("AIB") and is for general information purposes only. This publication should not be considered as an offer or solicitation to sell, buy or subscribe to any financial instruments or product, securities or any derivative instrument (together, "instruments"), or any other rights pertaining thereto. AIB does not express any opinion as to the present or future value or price of any instruments referred to in this publication.

The information provided in this publication is believed to be valid and accurate on the date it is first published but AIB, along with its directors, officers, or employees, does not accept any liability for any loss arising from the use of the information. The information contained therein, including any expressions of opinion, has been obtained from, or is based on, or compiled from, sources believed to be reliable but its accuracy or completeness is not guaranteed and is subject to change without notice.

Any decision made by a party shall be on the basis of its own research and shall not be influenced or based on any view expressed by AIB in this publication or otherwise. This publication does not address all risks. This publication does not constitute investment advice or a recommendation and has been prepared without regard to individual financial circumstances, objectives or particular needs of recipients. Readers should seek their own financial, tax, legal, regulatory and other advice regarding the appropriateness or otherwise of investing in any investments and/or pursuing any investment strategies. Past performance is not a reliable guide to future performance. To the extent that this publication is deemed to contain any forecasts as to the performance of any instruments, forecasts are not a reliable indicator of future performance.

This publication is not to be reproduced in whole or in part without the prior express written consent of AIB. Allied Irish Banks, p.l.c. is regulated by the Central Bank of Ireland.

The intellectual property rights to the data provided herein are owned by or licensed to S&P Global and/or its affiliates. Any unauthorised use, including but not limited to copying, distributing, transmitting or otherwise of any data appearing is not permitted without S&P Global's prior consent. S&P Global shall not have any liability, duty or obligation for or relating to the content or information ("data") contained herein, any errors, inaccuracies, omissions or delays in the data, or for any actions taken in reliance thereon. In no event shall S&P Global be liable for any special, incidental, or consequential damages, arising out of the use of the data. Purchasing Managers' Index® and PMI® are either registered trade marks of Markit Economics Limited or licensed to Markit Economics Limited and/or its affiliates.

This Content was published by S&P Global Market Intelligence and not by S&P Global Ratings, which is a separately managed division of S&P Global. Reproduction of any information, data or material, including ratings ("Content") in any form is prohibited except with the prior written permission of the relevant party. Such party, its affiliates and suppliers ("Content Providers") do not guarantee the accuracy, adequacy, completeness, timeliness or availability of any Content and are not responsible for any errors or omissions (negligent or otherwise), regardless of the cause, or for the results obtained from the use of such Content. In no event shall Content Providers be liable for any damages, costs, expenses, legal fees, or losses (including lost income or lost profit and opportunity costs) in connection with any use of the Content.

# PMI®

by **S&P Global**